

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name PARMA VILLAGE	County JACKSON
Fiscal Year End 02/28/2007	Opinion Date 08/28/07	Date Audit Report Submitted to State 08/28/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

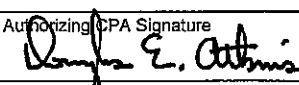
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY CPAs		Telephone Number (517) 782-9351	
Street Address 2880 SPRING ARBOR RD.		City JACKSON	State MI
Zip 49203			
Authorizing CPA Signature 		Printed Name DOUGLAS E. ATKINS, CPA	License Number 110106353

VILLAGE OF PARMA, INC.
JACKSON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

FEBRUARY 28, 2007

VILLAGE OF PARMA, INC.
FINANCIAL STATEMENTS

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VILLAGE OF PARMA, INC.
FINANCIAL STATEMENTS

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MARKOWSKI & COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Parma, Inc.
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of the **Village of Parma, Inc.**, as of and for the year ended February 28, 2007, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Parma, Inc. at February 28, 2007, and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

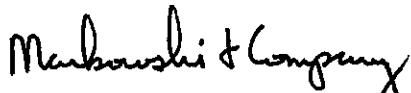
The Village has elected not to present a Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Village Council
Village of Parma, Inc.
Jackson County, Michigan

The budgetary comparison information presented on pages 32-34 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Parma, Inc.'s basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,



MARKOWSKI & COMPANY CPAs
August 28, 2007

VILLAGE OF PARMA, INC.

BASIC FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.
STATEMENT OF NET ASSETS
FEBRUARY 28, 2007

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 117,218	\$ 109,220	\$ 226,438	\$ 253,743
Investments	-	473,295	473,295	451,501
Receivables	2,366	69,029	71,395	-
Assessments receivable - Current	-	37,169	37,169	-
Due from other governments	98,989	-	98,989	-
Prepaid expenses	4,548	-	4,548	-
Advanced expenses	-	97,712	97,712	-
Internal balances	(164,312)	164,312	-	-
Total current assets	58,809	950,737	1,009,546	705,244
Noncurrent Assets				
Capital assets, net	701,438	4,245,791	4,947,229	285,501
Assessments receivable - Long term	-	412,497	412,497	-
Total noncurrent assets	701,438	4,658,288	5,359,726	285,501
Total assets	760,247	5,609,025	6,369,272	990,745
LIABILITIES:				
Current Liabilities:				
Accounts payable	3,470	45,501	48,971	276,475
Accrued payroll	-	-	-	-
Accrued interest payable	889	-	889	-
Deferred revenue	2,279	61,200	63,479	-
Capital leases and contracts - Current	3,615	100,000	103,615	-
Total current liabilities	10,253	206,701	216,954	276,475
Noncurrent Liabilities:				
Capital leases and contracts - Long term	25,465	2,430,000	2,455,465	-
Total liabilities	35,718	2,636,701	2,672,419	276,475
NET ASSETS:				
Invested in capital assets - net of related debt	672,358	1,815,881	2,488,239	285,501
Restricted for debt service	-	590,175	590,175	-
Unrestricted	52,171	566,268	618,439	428,769
Total net assets	\$ 724,529	\$ 2,972,324	\$ 3,696,853	\$ 714,270

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF ACTIVITIES
THE YEAR ENDED FEBRUARY 28, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
Primary Government:				
Governmental activities:				
General government	\$ 70,575	\$ 3,906	\$ -	\$ -
Public safety	66,751	2,647	640	-
Community planning	1,084	-	-	-
Public works	108,544	840	63,279	-
Cultural and recreation	13,262	-	4,073	-
Other	1,644	-	-	-
Total governmental activities	261,860	7,393	67,992	-
Business-type activities:				
Waste Water	80,525	72,672	-	-
Water	275,839	53,103	-	-
Garbage	55,178	54,146	-	-
Total business-type activities	411,542	179,921	-	-
Total primary government	\$ 673,402	\$ 187,314	\$ 67,992	\$ -
Component Units:				
Local Development Finance Authority	\$ 729,257	\$ -	\$ 124,345	\$ -

General revenues
 Property taxes
 LDFA surplus tax distribution
 Franchise fees
 State-shared revenues
 Interest and rents
 Other income
 Gain on sale of assets
Total general revenues

Change in net assets
Net assets - Beginning (restated)
Net assets - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (66,669)	\$ -	\$ (66,669)	\$ -
(63,464)	-	(63,464)	-
(1,084)	-	(1,084)	-
(44,425)	-	(44,425)	-
(9,189)	-	(9,189)	-
(1,644)	-	(1,644)	-
(186,475)	-	(186,475)	-
-	(7,853)	(7,853)	-
-	(222,736)	(222,736)	-
-	(1,032)	(1,032)	-
-	(231,621)	(231,621)	-
(186,475)	(231,621)	(418,096)	-
(604,912)			
52,232	22,467	74,699	329,757
49,848	-	49,848	-
1,624	-	1,624	-
75,915	-	75,915	-
3,190	112,706	115,896	22,634
-	55,338	55,338	3,381
817	-	817	8,476
183,626	190,511	374,137	364,248
(2,849)	(41,110)	(43,959)	(240,664)
727,378	3,013,434	3,740,812	954,934
\$ 724,529	\$ 2,972,324	\$ 3,696,853	\$ 714,270

VILLAGE OF PARMA, INC.

FUND FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2007

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 65,632	\$ 46,396	\$ 2,214	\$ 114,242
Investments	-	-	-	-
Receivables	2,366	-	-	2,366
Due from other funds	20,783	363	2,490	23,636
Due from other governments	88,064	8,012	2,913	98,989
Prepaid expenses	-	-	-	-
Total assets and other debits	\$ 176,845	\$ 54,771	\$ 7,617	\$ 239,233
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,493	\$ 282	\$ 282	\$ 3,057
Accrued payroll	-	-	-	-
Due to other funds	164,767	2,200	16	166,983
Deferred revenue	2,279	-	-	2,279
Total liabilities	169,539	2,482	298	172,319
FUND BALANCES				
Designated	922	-	-	922
Unreserved and undesignated	6,384	52,289	7,319	65,992
Total fund balances	7,306	52,289	7,319	66,914
Total liabilities, fund equity and other credits	\$ 176,845	\$ 54,771	\$ 7,617	\$ 239,233

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2007

Total fund balance - total governmental funds	\$ 66,914
---	-----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This includes capital assets of the Internal Service Fund.	1,340,867
Capital assets	(639,429)
Accumulated depreciation	

The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	(18,402)
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The Village's insurance policies currently have a term of July 1, 2006 to July 1, 2007. For the statement of net assets, the unexpired premiums are reported as a prepaid expense.	4,548
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Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(29,080)
--	----------

Interest on the long term liabilities which is payable as of the current fiscal year end, but not due until the following fiscal year, is accrued as a liability in the statement of net assets.	<u>(889)</u>
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Net assets of governmental activities	<u><u>\$ 724,529</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
THE YEAR ENDED FEBRUARY 28, 2007

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
REVENUES:				
Taxes and penalties	\$ 52,232	\$ -	\$ -	\$ 52,232
Licenses and permits	4,271	-	-	4,271
Intergovernmental	130,476	45,755	17,524	193,755
Charges for service	4,746	-	-	4,746
Fines and forfeitures	-	-	-	-
Interest and rent	2,810	300	80	3,190
Other revenue	817	-	-	817
Total revenues	195,352	46,055	17,604	259,011
EXPENDITURES:				
Current:				
General government	68,094	-	-	68,094
Public safety	66,437	-	-	66,437
Community planning	1,084	-	-	1,084
Public works	18,103	20,444	37,255	75,802
Cultural and recreation	10,764	-	-	10,764
Other	254	-	-	254
Capital outlay	-	-	-	-
Debt service	4,952	-	-	4,952
Total expenditures	169,688	20,444	37,255	227,387
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,664	25,611	(19,651)	31,624
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	2,200	2,200
Operating transfers (out)	-	(2,200)	-	(2,200)
Total other financing sources (uses)	-	(2,200)	2,200	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	25,664	23,411	(17,451)	31,624
FUND BALANCE - Beginning	(18,358)	28,878	24,770	35,290
FUND BALANCE - Ending	\$ 7,306	\$ 52,289	\$ 7,319	\$ 66,914

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
THE YEAR ENDED FEBRUARY 28, 2007**

Net change in fund balances - total governmental funds	\$ 31,624
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Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets purchased in the current period.	18,125
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.	(56,424)
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The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The net revenue of the Internal Service Fund is included in governmental activities.	(24)
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The effect of reporting insurance expenses based on the full accrual method for the statement of activities results in a lower expense than the actual premiums paid this year.	288
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Principal payments on long term debt are applied to the liability balance under the full accrual accounting method. As a result, this year's principal payment is removed from the Village's expenditures.	3,456
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Interest expense differs from the actual interest paid when using the full accrual method of accounting. This year, the difference results in a lower expense.	<u>106</u>
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Change in net assets of governmental activities	<u><u>\$ (2,849)</u></u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2007

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 37,338	\$ 57,750	\$ 14,132	\$ 109,220	\$ 2,976
Investments	473,295	-	-	473,295	-
Accounts receivable	23,731	13,010	21,675	58,416	-
Accrued interest receivable	10,613	-	-	10,613	-
Assessments receivable - Current	-	37,169	-	37,169	-
Due from other funds	66,563	97,749	-	164,312	16
Advanced expenses	97,712	-	-	97,712	-
Total current assets	709,252	205,678	35,807	950,737	2,992
NONCURRENT ASSETS:					
Capital assets, net	219,333	4,026,458	-	4,245,791	10,872
Assessments receivable	-	412,497	-	412,497	-
Deferred expenses	-	-	-	-	-
Total noncurrent assets	219,333	4,438,955	-	4,658,288	10,872
Total assets	928,585	4,644,633	35,807	5,609,025	13,864
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	23,451	18,643	3,407	45,501	413
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	20,981
Deferred revenue	17,622	30,497	13,081	61,200	-
Capital leases payable - Current	-	100,000	-	100,000	-
Total current liabilities	41,073	149,140	16,488	206,701	21,394
NONCURRENT LIABILITIES:					
Capital leases payable	-	2,430,000	-	2,430,000	-
Total liabilities	41,073	2,579,140	16,488	2,636,701	21,394
NET ASSETS:					
Invested in capital assets - net of related debt	219,333	1,596,548	-	1,815,881	10,872
Restricted for debt service	-	590,175	-	590,175	-
Unrestricted	668,179	(121,230)	19,319	566,268	(18,402)
Total net assets	\$ 887,512	\$ 2,065,493	\$ 19,319	\$ 2,972,324	\$ (7,530)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF CHANGES IN NET ASSETS
PROPRIETARY FUNDS
THE YEAR ENDED FEBRUARY 28, 2007

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
OPERATING REVENUES:					
Charges for services	\$ 71,384	\$ 52,387	\$ 52,817	\$ 176,588	\$ 17,136
Interest and penalties	1,288	716	1,329	3,333	-
Total operating revenues	72,672	53,103	54,146	179,921	17,136
OPERATING EXPENSES:					
Administrative:					
Clerical salaries	6,357	-	6,586	12,943	-
Payroll taxes	487	-	505	992	-
Office supplies	192	331	355	878	-
Other	134	133	-	267	-
Professional services	2,500	2,550	1,000	6,050	1,336
Total administrative expenses	9,670	3,014	8,446	21,130	1,336
Operations and maintenance:					
Salaries	455	1,929	-	2,384	6,307
Payroll taxes	35	148	-	183	482
Contract services	30,474	32,510	46,732	109,716	-
Professional services	-	1,313	-	1,313	-
Utilities	5,664	17,811	-	23,475	2,720
Repairs and maintenance	8,317	5,699	-	14,016	2,763
Operating supplies	-	10,997	-	10,997	3,183
Equipment usage/Rent	680	1,109	-	1,789	300
Miscellaneous	-	419	-	419	83
Depreciation	25,230	112,540	-	137,770	4,539
Total operations and maintenance	70,855	184,475	46,732	302,062	20,377
Total operating expenses	80,525	187,489	55,178	323,192	21,713
OPERATING INCOME (LOSS)	(7,853)	(134,386)	(1,032)	(143,271)	(4,577)
NON-OPERATING REVENUES (EXPENSES):					
Taxes - Hydrant	-	22,467	-	22,467	-
Connection fees	-	55,338	-	55,338	-
Interest income	23,656	88,935	115	112,706	14
Connection expenses	-	(650)	-	(650)	-
Interest expense	-	(87,700)	-	(87,700)	-
Total non-operating revenues (expenses)	23,656	78,390	115	102,161	14
INCOME (LOSS) BEFORE CONTRIBUTIONS	15,803	(55,996)	(917)	(41,110)	(4,563)
TOTAL NET ASSETS - Beginning of year	871,709	2,121,489	20,236	3,013,434	(2,967)
TOTAL NET ASSETS - End of year	\$ 887,512	\$2,065,493	\$ 19,319	\$2,972,324	\$ (7,530)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
THE YEAR ENDED FEBRUARY 28, 2007

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 72,270	\$ 52,991	\$ 52,114	\$ 177,375	\$ -
Payments to suppliers	(89,258)	(66,026)	(47,977)	(203,261)	(10,162)
Payments to employees	(7,334)	(2,077)	(7,091)	(16,502)	(6,789)
Receipts for interfund services provided	-	-	-	-	17,136
Payment for interfund services provided	(680)	(1,109)	-	(1,789)	-
Net cash provided (used) by operating activities	(25,002)	(16,221)	(2,954)	(44,177)	185
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Collection of connection fees	-	55,338	-	55,338	-
Collection of assessments	-	122,288	-	122,288	-
Collection of taxes	-	22,467	-	22,467	-
Purchase of capital assets	(10,348)	-	-	(10,348)	-
Reimbursement of capital expenditures	-	19,945	-	19,945	-
Connection expenses paid	-	(650)	-	(650)	-
Principal and interest paid on capital debt	-	(187,700)	-	(187,700)	-
Net cash provided (used) by capital and related financing activities	(10,348)	31,688	-	21,340	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Interfund borrowings	-	-	-	-	(16)
Repayment of interfund borrowings	13,550	5,038	-	18,588	165
Net cash provided by non-capital financing activities	13,550	5,038	-	18,588	149
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	1,236	6,742	115	8,093	14
Investments matured	-	20,278	-	20,278	-
Net cash provided by investing activities	1,236	27,020	115	28,371	14
Net increase (decrease) in cash and cash equivalents	(20,564)	47,525	(2,839)	24,122	348
Balances - beginning of year	57,902	10,225	16,971	85,098	2,628
Balances - end of year	\$ 37,338	\$ 57,750	\$ 14,132	\$ 109,220	\$ 2,976
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (7,853)	\$ (134,386)	\$ (1,032)	\$ (143,271)	(4,577)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	25,230	112,540	-	137,770	4,539
Change in assets and liabilities					
Receivables - net	(16,208)	(5,950)	(13,571)	(35,729)	-
Advanced expenses	(48,834)	-	-	(48,834)	-
Accounts and other payables	6,857	5,737	110	12,704	223
Deferred revenue	15,806	5,838	11,539	33,183	-
Net cash provided (used) by operating activities	\$ (25,002)	\$ (16,221)	\$ (2,954)	\$ (44,177)	\$ 185

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
FEBRUARY 28, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 17,649
Investments	16,498
Due from other governments	889
Due from other funds	<u>-</u>
Total assets	<u><u>\$ 35,036</u></u>
<u>LIABILITIES</u>	
Accrued payroll taxes and withholdings	\$ 4,848
Due to other funds	667
Due to other governments	10,460
Due to other groups	<u>19,061</u>
Total liabilities	<u><u>\$ 35,036</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.
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VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by the Village of Parma, Inc (the Village) conform to accounting principles generally accepted (GAAP) in the United States of America as applied to governmental entities. The following is a summary of the significant accounting policies used by the Village.

A. REPORTING ENTITY:

The Village of Parma is incorporated under the provisions of Act 3 of 1895, as amended (General Law Village). The Village operates under an elected Council (five voting members, plus an elected clerk and treasurer) and provides the following services to its more than 900 residents: public safety (police, fire, and inspections), highways and streets, sanitation, cultural and recreation, planning and zoning, and general administrative services.

The accompanying financial statements of the Village of Parma, Inc. include its primary government and its component units, entities for which the primary government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Discretely Presented Component Unit - Based on the criteria established by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Local Development Finance Authority of the Village of Parma, Inc. (LDFA) has been included in the reporting entity as a discretely presented component unit. The LDFA was created by the Village in a resolution dated December 12, 1988 (most recently amended January 4, 2001) under the authority of Michigan Public Act 281.

The LDFA is governed by a separate eleven member board, consisting of four members appointed by the Village, three appointed by Sandstone Township, two appointed by Western School District and one each appointed by Jackson County and Jackson Community College.

The LDFA's primary functions are site acquisition and development (including the extension of roads and utilities) for a certified industrial park. The LDFA also services the construction related bonded indebtedness.

A copy of the LDFA's audited financial statements may be obtained at the Village of Parma's offices at 117 W. Main St., Parma, MI 49269.

Joint Ventures - The Village participates in joint ventures with Sandstone Charter Township and Parma Township for fire protection (Parma Sandstone Fire Department) and police services (Parma-Sandstone Inter-Municipal Police Department). The financial statements of these joint ventures are not included in these statements. The Village's equity in the joint ventures is reported as an investment in joint ventures in the government-wide financial statements.

A copy of the audited financial statements of these joint ventures may be obtained at the Village of Parma's offices at 117 W. Main St., Parma, MI. 49269.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period (90 days for property taxes and state shared revenues). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Village reports the following major proprietary funds:

The Waste Water, Water and Garbage Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the Village reports the following fund types:

The Motor Pool Fund (an Internal Service fund) accounts for major machinery and equipment purchases and maintenance, provided to other departments of the Village on a cost reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements):

Agency funds account for assets held by the Village in a purely custodial capacity, the reporting entity includes one agency fund. Since agency funds are custodial in nature, they do not involve the measurement or results of operations. The agency funds are as follows:

The Trust and Agency Fund accounts for employee withholdings and other miscellaneous receipts held by the Village in an agent's capacity.

The Stay-n-Play Playground Fund accounts for money raised by a community group for the ongoing maintenance of the Stay-n-Play Adventureland playground constructed in the Village's Groner Park in May 1999.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments and (4) property taxes levied to pay debt. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS:

The Village considers cash on hand, cash in checking and savings accounts, or short term investments with an original maturity of less than 90 days as cash and cash equivalents for balance sheet purposes.

The Village Treasurer has invested certain cash in excess of current needs in bank and federally chartered credit union certificates of deposit with original maturities greater than 90 days. These are reported as investments in the accompanying financial statements, and are reported at their original cost.

State statutes and Village policies allow the Village to invest in obligations of the U.S. Treasury, certificates of deposit, certain commercial paper and corporate bonds, certain repurchase agreements, and investment pools whose assets are comprised of investments which would be legal if the Village invested directly in them.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. RECEIVABLES:

The Village records various receivables which are listed and described as follows:

Accounts Receivable - This account is for charges for services which have been billed but not yet received in both the Governmental and Proprietary Fund Types as of year end.

Due From Other Governments - This account is for amounts due from the State of Michigan for State shared revenue and Act 51 distributions. Amounts due from Jackson County for delinquent property taxes and ordinance fine distributions, reimbursements due from townships participating in the joint ventures, and amounts due from the Village of Parma Local Development Finance Authority are also reported as due from other governments.

Assessments Receivable - The Village allowed residents to finance their portion of water supply project costs over twenty years through a special assessment. The portion due within one year is reported as a current asset.

F. CAPITAL ASSETS:

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, signs, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	10 to 30 years
Waste Water and Water lines	30 to 50 years
Paved Roads	20 years
Vehicles and Equipment	5 to 10 years

G. COMPENSATED ABSENCES:

The Village does not allow the accumulation of unused sick or vacation time for its employees.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

H. LONG TERM OBLIGATIONS:

In the government wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

I. FUND EQUITY:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. BUDGETARY INFORMATION:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The annual budget is approved by the Village Council prior to the start of its fiscal year, and after holding a public hearing. The budget may be amended at any public meeting by a majority vote of the Council.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

B. BUDGET VIOLATIONS:

During the year, the Village incurred expenditures in the General Fund which were in excess of the amounts appropriated. The Village also did not adopt budgets for its other governmental funds. These are violations of Michigan Public Act 2 of 1968, commonly known as the Budgeting Act.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (Continued)

B. BUDGET VIOLATIONS – (Continued)

The detail of budget violations is presented in the following table:

Fund/Department	Final Amended Budget	Actual	Excess Expenditures Over Appropriations
GENERAL FUND:			
Treasurer	\$ 8,290	\$ 9,064	\$ (774)
Parma-Sandstone Fire	-	2,344	(2,344)
Inspections	2,500	3,599	(1,099)
Sanitation and Landfill	3,200	3,575	(375)
MAJOR STREET FUND:			
Winter Maintenance	1,000	2,220	(1,220)
Operating Transfers (Out)	-	2,200	(2,200)
LOCAL STREET FUND:			
Maintenance	9,860	32,763	(22,903)
Winter Maintenance	1,160	2,545	(1,385)
Drain Maintenance	365	1,167	(802)

C. DEFICIT FUND BALANCE:

The Village is also in violation of Public Act 2 of 1968 for having a deficit fund balance in its Motor Pool Fund as of February 28, 2007. The deficit of \$7,530 in the Motor Pool Fund was created by the large operating losses incurred the past two years. The Village is working to increase the rental revenues and decrease the maintenance costs in this fund to eliminate the deficit.

The Village has not yet updated its deficit elimination plan which is on file with the Michigan Department of Treasury. This should have been done within 90 days of the fiscal year end.

D. BUILDING PERMITS:

The Village complied with state law requiring separate accounting for building permit fees and the related costs by establishing departments within the General Fund. Revenue for the year was \$2,647; the expenses were \$3,599.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS:

During the fiscal year ended February 28, 2007, the Village did not violate its investment policies (see Note 1D).

Interest Rate Risk – is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in its fair value. The Village minimizes this risk by balancing the length of maturity and holding securities to maturity, when they will be honored at face value.

Credit Risk – including **custodial credit risk**, refers to the risk that an issuer or other party to a financial instrument will not fulfill its obligation. The Village attempts to minimize this risk by investing only in certificates of deposit issued by local financial institutions. There are no limits in the Village policy regarding the amount that may be invested or deposited with a particular financial institution.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

The Village's deposits consist of checking and savings accounts and deposits with local banks and a small amount of cash on hand. At year end, the Village's carrying amount of deposits was \$244,087 and the bank balance was \$353,005. \$100,000 of the bank balance was covered by federal depository insurance, leaving \$253,005 uninsured.

The bank balance and carrying amount of deposits for the LDFA, a discretely presented were both \$253,743. \$153,743 was uninsured.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS: (Continued)

At year end, the Village's investment balances were as follows:

	CATEGORY		CARRYING AMOUNT	MARKET VALUE
	1	2		
Certificates of deposit	\$ 300,000	\$ 189,793	\$ 489,793	\$ 489,793

The LDFA investments consisted of \$451,501 invested in the Fidelity Government Portfolio Class II money market fund. 94 % of this fund was invested in repurchase agreements for U.S. government securities. This investment would be classified in category 3.

Foreign currency risk – refers to the risk from investing in foreign currencies. Such investments are not allowed under the Village's investment policies, and no such investments were made during the year ended February 28, 2007.

NOTE 4 - INTERFUND RECEIVABLES AND TRANSFERS:

The composition of interfund balances as of February 28, 2007 is as follows:

Receivable Fund:	Due From Amount	Payable Fund:	Due To Amount
General	\$ 20,783	Motor Pool	\$ 20,783
		General Fund	165
		Motor Pool	198
Major Street	363		363
		General Fund	290
		Major Street	2,200
Local Street	2,490		2,490
Waste Water	66,563	General	66,563
Water	97,749	General	97,749
Motor Pool	16	Local Street	16
Total	\$ 187,964	Total	\$ 187,964

The Major Street fund transferred \$2,200 to the Local Street fund during the year ended February 28, 2007.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – ADVANCED EXPENSES:

The Village has capitalized certain preliminary engineering costs and initial operating expenses (incurred prior to placing the project in service) in its Waste Water fund. The project for which these costs have been incurred were not in service at February 28, 2007. When placed in service, the advanced expenses will be amortized over the project's useful life (expected to be forty years) using the straight-line method.

NOTE 6 – CAPITAL ASSETS:

Capital asset activity of the Village during the current year was as follows:

	<u>2/28/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>2/28/07</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,275	\$ -	\$ -	\$ 8,275
Capital assets being depreciated				
Buildings and Improvements	216,462	-	-	216,462
Machinery and Equipment	50,401	-	(6,395)	44,006
Office Equipment	7,325	-	-	7,325
Vehicles	126,763	-	-	126,763
Infrastructure	919,911	18,125	-	938,036
Subtotal	<u>1,320,862</u>	<u>18,125</u>	<u>(6,395)</u>	<u>1,332,592</u>
Less - Accumulated depreciation:				
Buildings and Improvements	74,479	6,276	-	80,755
Machinery and Equipment	45,116	2,352	(6,395)	41,073
Office Equipment	7,325	-	-	7,325
Vehicles	116,335	2,472	-	118,807
Infrastructure	346,145	45,324	-	391,469
Subtotal	<u>589,400</u>	<u>56,424</u>	<u>(6,395)</u>	<u>639,429</u>
Total capital assets being depreciated, net	<u>731,462</u>	<u>(38,299)</u>	<u>-</u>	<u>693,163</u>
Governmental activities capital assets, net	<u>\$ 739,737</u>	<u>\$ (38,299)</u>	<u>\$ -</u>	<u>\$ 701,438</u>

(This schedule includes the capital assets of the Motor Pool Internal Service Fund).

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – CAPITAL ASSETS: (Continued)

	<u>2/28/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>2/28/07</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 47,440	\$ -	\$ -	\$ 47,440
Capital assets being depreciated:				
Distribution and collection systems	5,409,352	10,348	(19,945)	5,399,755
Less - Accumulated depreciation:				
Distribution and collection systems	1,063,634	137,770	-	1,201,404
Total capital assets being depreciated, net	4,345,718	(127,422)	(19,945)	4,198,351
Business-type activities capital assets, net	<u>\$4,393,158</u>	<u>\$ (127,422)</u>	<u>\$ (19,945)</u>	<u>\$4,245,791</u>

The sole asset of the LDFA is vacant land suitable for industrial development. It is valued at its original cost of \$352,120, which was reduced by \$66,619 (the cost allocated to the seven acres sold for \$70,000) during the fiscal year ended February 28, 2007. The ending value of capital assets for the LDFA is \$285,951.

Depreciation expense was charged to programs of the Village as follows:

GOVERNMENTAL ACTIVITIES:	
General Government	\$ 2,769
Public Works	45,324
Public Safety	314
Cultural and Recreation	2,498
Internal service fund depreciation is charged to Public Works based on asset usage.	<u>5,519</u>
Total governmental activities	<u>\$ 56,424</u>
BUSINESS-TYPE ACTIVITIES:	
Waste Water	\$ 25,230
Water	<u>112,540</u>
Total business type activities	<u>\$ 137,770</u>

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – DEFERRED REVENUE:

A. GENERAL FUND:

During 2006 Parma Township advanced a reimbursement for the joint venture police department to allow the Village to cover payroll. This advance of \$2,279 is reported as deferred revenue.

B. PROPRIETARY FUNDS:

Customer billings for utility usage in periods after February 28, 2007 have been reported as deferred revenue in these financial statements. The revenue will be recognized in the period services are provided to the customers, in accordance with the accrual basis of accounting.

The Village has constructed a water supply system funded by the Michigan Department of Environmental Quality. As of February 28, 2007, the Village had received grant reimbursements totaling \$23,850 more than qualified expenses. This amount is reported as deferred revenue in the Water Fund.

NOTE 8 – LONG TERM DEBT:

The long term debt of the Village can be summarized as follows:

A. GOVERNMENTAL LONG TERM DEBT:

In June 2003, the Village and Parma Township entered into a capital lease agreement with a fire apparatus manufacturer. This was done to finance their portion of a new 2003 Kenworth tanker purchased for the joint venture fire department.

The total capital lease payable is for \$78,000, and it was sold to a financial institution by the manufacturer upon completion of the arrangement. The Village is responsible for the repayment of \$39,000, plus interest, of this capital lease. The other half is the responsibility of Parma Township. Payments are due in ten annual payments beginning in June 2004.

B. BUSINESS - TYPE LONG TERM DEBT:

The Village and LDFA have entered into contracts with the County of Jackson relating to the construction of a community water supply system, a water tower, and water system expansions to service the Village and the LDFA. Terms of the contracts required the County to construct the projects, and then lease them to the Village and LDFA for as long as County issued bonds and loans used to finance this construction are outstanding.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – LONG TERM DEBT: (Continued)

B. BUSINESS - TYPE LONG TERM DEBT: (Continued)

The lease payments will be made in an amount sufficient to pay all principal and interest due on the County bonds and loans. The Village will be responsible for the operation, maintenance, and administration of the system. Ownership will revert to the Village upon retirement of the County debt.

The Village portion of the project was financed by the County Board of Public Works through a Michigan Drinking Water Revolving Loan Fund loan. The terms of this \$1,110,000 loan call for principal payments over twenty years, commencing April 1, 2003 and ending April 1, 2022. The County requires payments thirty days prior to this schedule. Interest is charged at a fixed rate of 2.5%.

The LDFA portion of the project was financed by the County Board of Public Works through the issuance of \$1,800,000 of general obligation limited tax bonds. Bond payments will be made starting with an interest only payment due on April 1, 2003 through the final interest and principal payment due on October 1, 2021. The County requires payments thirty days prior to this schedule. The Village will reimburse the Village for payments on this lease with tax increment revenues received from the LDFA. These reimbursements are recognized as connection fees and interest revenue when received.

A summary of the long-term debt payable is as follows:

	<u>2/28/06</u>	<u>New Debt</u>	<u>Payments</u>	<u>2/28/07</u>
Governmental Debt:				
Contract payable	\$ 32,536	\$ -	\$ (3,456)	\$ 29,080
Business-Type Debt:				
Village Project lease	930,000	-	(50,000)	880,000
LDFA Project lease	1,700,000	-	(50,000)	1,650,000
Total business-type debt	<u>2,630,000</u>	<u>-</u>	<u>(100,000)</u>	<u>2,530,000</u>
Total long term debt	<u>\$ 2,662,536</u>	<u>\$ -</u>	<u>\$ (103,456)</u>	<u>\$ 2,559,080</u>

Payments are due as follows:

<u>Fiscal Year Ended</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
February 29, 2008	\$ 4,953	\$ 184,325	\$ 189,278
February 28, 2009	4,953	206,294	211,247
February 28, 2010	4,953	202,888	207,841
February 28, 2011	4,953	204,313	209,266
February 28, 2012	4,953	225,088	230,041
February 28, 2013-2017	9,906	1,137,181	1,147,087
February 28, 2018-2022	-	1,135,412	1,135,412
Total payments	34,671	3,295,501	3,330,172
Less: Interest	(5,591)	(765,501)	(771,092)
Principal due	<u>\$ 29,080</u>	<u>\$ 2,530,000</u>	<u>\$ 2,559,080</u>

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - FUND EQUITY/NET ASSETS:

A. RESERVED AND DESIGNATED:

Generally accepted governmental accounting principles require that fund equity be reserved in certain instances to reflect amounts not available for expenditure in future periods.

The General Fund is holding revenues generated by its Downtown Development Authority, which are restricted to uses in the downtown area of the village. This totaled \$105 at February 28, 2007. The Council also designated its proceeds (\$817) from the sale of used air packs towards the cost of a tornado siren.

The Water Enterprise Fund has designated the assessments collected, plus the remaining balance receivable, less debt service payments to date, as being available only for debt service. This totaled \$590,175 at February 28, 2007.

B. RESTATEd RETAINED EARNINGS:

During 2007, the Village consolidated its Downtown Development Authority Fund into the General Fund. This change results in an increase in designated fund balance as of February 28, 2006 of \$105.

C. RESTATEd NET ASSETS:

The Village has restated its beginning governmental assets following further analysis of the joint venture contracts. The Village has determined that an equity interest does not exist in the police and fire joint ventures, reducing its beginning net assets by \$141,818.

NOTE 10 - JOINT VENTURES:

As discussed in Note 1, the Village participates in two joint ventures with Sandstone Charter Township and Parma Township. The Village has an ongoing financial obligation to fund 30 percent of the Parma - Sandstone Inter-Municipal Police Department. Its financial obligation with respect to the Parma Sandstone Fire Department ended April 1, 2006; until that time, the Village was responsible for 20 percent of the departments operating costs.

Summary financial statements are presented on the following page:

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – JOINT VENTURES: (Continued)

	Parma-Sandstone Inter-Municipal Police Department (As of and for the year ended February 28, 2007)	Parma Sandstone Fire Department (As of and for the year ended March 31, 2007)
Summary Statement of Net Assets:		
ASSETS:		
Current assets	\$ 23,293	\$ 322,047
Capital assets, net of accumulated depreciation	113,938	283,179
Total assets	<u>137,231</u>	<u>605,226</u>
LIABILITIES:		
Current liabilities	8,432	194,419
Noncurrent liabilities - Accrued payroll	33,852	-
Total liabilities	<u>42,284</u>	<u>194,419</u>
NET ASSETS:		
Invested in capital assets:		
Townships	75,959	189,293
Parma Village	37,979	93,886
Total invested in capital assets	<u>113,938</u>	<u>283,179</u>
Unrestricted:		
Townships	(13,292)	125,118
Parma Village	(5,699)	2,510
Total unrestricted net assets	<u>(18,991)</u>	<u>127,628</u>
Total net assets	<u>\$ 94,947</u>	<u>\$ 410,807</u>
Summary Statement of Activities:		
Public safety expenses	\$ (194,174)	\$ (199,378)
Charges for service	-	11,485
Operating grants and contributions	180,576	256,404
Capital grants and contributions	-	-
Net (expense) revenue	<u>(13,598)</u>	<u>68,511</u>
General revenues	<u>13,302</u>	<u>7,227</u>
Change in net assets:		
Townships	(457)	88,523
Parma Village	161	(12,785)
Change in net assets	<u>\$ (296)</u>	<u>\$ 75,738</u>

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – PROPERTY TAXES:

The Village levies property taxes each July, based upon the taxable value of property as of the preceding December 31. The tax bills are due September 14. Taxes paid after that time incur a penalty of 1% per month. Taxes unpaid at February 28 are returned delinquent to the County Treasurer for collection. In return, the Village receives a payment for the unpaid taxes levied on real property, plus 6% penalty. The unpaid taxes levied on personal property (business equipment and fixtures, and certain leased property) are paid to the Village upon collection by the County. The Village is responsible for repayment to the County if the real taxes remain uncollected. The Village reimburses the County approximately \$100 annually for these taxes, plus interest.

On March 15, 1994 Michigan voters approved an amendment to the Michigan Constitution permitting ad valorem taxes to be levied on a non-uniform basis. Beginning in 1995, taxable property has two valuations – State Equalized Value (SEV – supposed to approximate 50% of the property's current fair value) and Taxable Value. Property taxes are levied on the Taxable Value. The Village relies on the township assessors from Parma and Sandstone Townships to determine these values.

Generally, taxable value is to be computed as the lesser of: a) Taxable Value of the immediately preceding year, adjusted for loss, multiplied by the lesser of the net percentage change in the property's SEV, the rate of inflation, or 5%, plus additions, or b) the property's SEV.

The Village's millage rate is established annually following a public hearing. Without voter approval, the rate is limited to that of the prior year adjusted to an amount necessary to increase the total levy (excluding additions and deletions) by an amount not to exceed the annual rate of inflation or 5%, whichever is lower.

A summary of the Village's Taxable Values, Operating Millage Rates, Total taxes Levied, Collections Through February 28, County Settlement for Real Taxes, and Unpaid Delinquent Personal Property Taxes at February 28 for the past five years is as follows:

Tax Year	Taxable Value	Operating Millage Rate	Total Levy	Collected Through 2/28	Delinquent Real (Paid By County)	Delinquent Personals
2006	\$35,203,855	4.4180	\$ 155,529	\$ 150,456	\$ 4,903	\$ 169
2005	\$31,326,480	4.8593	\$ 152,223	\$ 148,907	\$ 3,267	\$ 49
2004	\$32,194,611	4.5986	\$ 148,048	\$ 145,150	\$ 2,755	\$ 143
2003	\$43,700,538	5.1200	\$ 223,746	\$ 219,307	\$ 4,404	\$ 35
2002	\$20,768,487	5.1200	\$ 106,333	\$ 100,490	\$ 5,709	\$ 134

The State of Michigan provides significant tax incentives to encourage industry to renovate and expand aging industrial facilities and to attract new industrial facilities under Michigan Public Act 198 of 1974. This Act allows units to establish districts within which property owners will pay an Industrial Facilities tax rather than an ad valorem tax for up to twelve years.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – PROPERTY TAXES: (Continued)

For such districts established prior to January 1994, plant and equipment is taxed at one-half the total mills levied by all taxing units. For new districts created after 1993, plant and equipment is taxed at one-half the total mills levied except mills levied under the State Education Tax Act, plus the number of mills levied under that Act.

There are currently eight IFT certificates (districts) in the Village of Parma. A summary of the past five years' levies is as follows:

Tax Year	Taxable Value	Operating Millage Rate	Total Levy	Collected Through 2/28	Returned Delinquent
2006	\$ 47,851,737	2.21000	\$ 105,752	\$ 105,752	\$ -
2005	\$ 53,388,103	2.42965	\$ 129,733	\$ 129,733	\$ -
2004	\$ 56,581,697	2.30000	\$ 130,138	\$ 130,138	\$ -
2003	\$ 63,089,830	2.56000	\$ 161,510	\$ 161,510	\$ -
2002	\$ 74,177,789	2.56000	\$ 189,895	\$ 189,895	\$ -

The Village's ad valorem and industrial facilities taxes levied on property within the Village of Parma LDFA are subject to capture by the LDFA. For the fiscal year 2007 (tax levy 2006), the LDFA captured the following amounts:

	Taxable Value	Levy
Ad valorem	\$ 23,596,398	\$ 104,249
Industrial Facilities Tax	47,851,737	105,752
	<u>\$ 71,448,135</u>	<u>\$ 210,001</u>

In 2002, the Village began levying a special millage for hydrants and other community water system construction expenses which could not be attributed to a specific property. This tax levy is restricted to debt payments on the capital lease payable of the Water Enterprise Fund. A summary of the levy is as follows:

Tax Year	Taxable Value	Hydrant Millage Rate	Total Levy	Collected Through 2/28	Delinquent Real (Paid By County)	Delinquent Personals
Ad Valorem:						
2006	\$35,203,855	0.3800	\$ 13,375	\$ 12,939	\$ 421	\$ 15
2005	\$31,326,480	0.3800	\$ 11,902	\$ 11,643	\$ 255	\$ 4
2004	\$32,194,611	0.3800	\$ 12,232	\$ 11,989	\$ 231	\$ 12
2003	\$43,700,538	0.3800	\$ 16,605	\$ 16,276	\$ 326	\$ 3
2002	\$20,768,487	0.3800	\$ 7,890	\$ 7,465	\$ 415	\$ 10
Industrial Facilities Tax:						
2006	\$47,851,737	0.1900	\$ 9,092	\$ 9,092	\$ -	\$ -
2005	\$53,388,103	0.1900	\$ 10,144	\$ 10,144	\$ -	\$ -
2004	\$56,581,697	0.1900	\$ 10,751	\$ 10,751	\$ -	\$ -
2003	\$63,089,830	0.1900	\$ 11,987	\$ 11,987	\$ -	\$ -
2002	\$74,177,789	0.1900	\$ 14,094	\$ 14,094	\$ -	\$ -

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - EMPLOYEES' RETIREMENT PLANS:

The Village of Parma has a Simple IRA plan, which was established in March of 1999, for its long-time DPW employee. The employee's contribution during the year was \$0; the Village match totaled \$0.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

The Village has the following commitments and/or contingencies at February 28, 2007:

A. SEWAGE TREATMENT:

Tests performed during the fiscal year ended February 28, 2001 revealed that the Village's waste water treatment lagoons were leaking at a rate above that allowed by state statute. The State's Department of Environmental Quality has the authority to fine the Village up to \$25,000 per day for each day of noncompliance.

The Village is currently exploring its options to correct this problem, and has approved an application for project funding through a state revolving loan fund.

Preliminary plans project a \$2.2 million total cost to renovate the Village's waste water treatment facility.

NOTE 14 - GOING CONCERN:

The Village incurred a substantial deficit in its General Fund during the year ended February 29, 2004, leaving it with an accumulated fund deficit (liabilities greater than assets of the fund). In response, the Village has dramatically reduced expenditures.

The General Fund deficit has been eliminated as of February 28, 2007. The Village is still facing cash flow problems, and has a substantial amount of debt payable to other funds. As a result, concern over the Village's financial stability still exists.

NOTE 15 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village participates in municipal self-insurance entities through the Michigan Municipal League for these risks. The entities obtain excess reinsurance to limit losses to participants.

VILLAGE OF PARMA, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – ECONOMIC DEPENDENCE:

The Village received 39% of its General Fund revenue (\$76,555) and 99% of its Special Revenue Fund revenue (\$63,279 of \$63,659) from the State of Michigan during the fiscal year ended February 28, 2007.

The Village received another 26% of its General Fund revenue from essentially one taxpayer – Michigan Automotive Compressor, Inc. (MACI). Combining property taxes paid (\$628), and the distribution from the LDFA (of which MACI is currently the only taxpayer - \$49,848), this company provided \$50,476 of the General Fund's revenue.

The Village is exposed to the risk that an economic downturn affecting either of those two entities would have a severe impact on its financial condition.

NOTE 17 – SUBSEQUENT EVENTS:

A. WASTE WATER SYSTEM UPGRADES:

The Village has studied its options to address problems with its waste water treatment lagoons (see Note 13) and tentatively decided to renovate and expand its treatment plant. The Village intends to proceed with this option, contingent to approval of its amended loan application filed in June 2005. The Village expects to receive a final determination on its application by early 2008. Early projections of the proposed project indicate that the Village's costs could be \$2.2 million.

VILLAGE OF PARMA, INC.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2007

	Budgeted Amounts		Actual	Variance With Final Budgeted
	Original	Final Amended		
REVENUES:				
Taxes and penalties	\$ 281,530	\$ 70,530	\$ 52,232	\$ (18,298)
Licenses and permits	4,800	4,800	4,271	(529)
Intergovernmental - From the State	78,600	78,600	76,555	(2,045)
Intergovernmental - From Local Units	193,720	48,728	53,921	5,193
Charges for service	4,100	4,100	4,746	646
Interest	1,000	2,000	2,810	810
Other	-	-	817	817
Total revenues	<u>563,750</u>	<u>208,758</u>	<u>195,352</u>	<u>(13,406)</u>
EXPENDITURES:				
General government	83,215	83,215	68,094	(15,121)
Public safety	206,015	66,434	66,437	3
Community planning	1,875	1,875	1,084	(791)
Public works	20,580	20,580	18,103	(2,477)
Cultural and recreational	12,050	12,050	10,764	(1,286)
Other	228,000	17,000	254	(16,746)
Debt service	-	5,000	4,952	(48)
Total expenditures	<u>551,735</u>	<u>206,154</u>	<u>169,688</u>	<u>(36,466)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>12,015</u>	<u>2,604</u>	<u>25,664</u>	<u>23,060</u>
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>12,015</u>	<u>2,604</u>	<u>25,664</u>	<u>23,060</u>
FUND BALANCE - Beginning	<u>(18,358)</u>	<u>(18,358)</u>	<u>(18,358)</u>	<u>-</u>
FUND BALANCE - End	<u>\$ (6,343)</u>	<u>\$ (15,754)</u>	<u>\$ 7,306</u>	<u>\$ 23,060</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
MAJOR STREET FUND
THE YEAR ENDED FEBRUARY 28, 2007

	Budgeted Amounts			Variance With
	Original	Final Amended	Actual	Final Budgeted
REVENUES:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	39,000	39,000	44,365	5,365
Metro Act revenue	-	-	1,390	1,390
Total intergovernmental	39,000	39,000	45,755	6,755
Interest	-	-	300	300
Total revenues	39,000	39,000	46,055	7,055
EXPENDITURES:				
Public Works:				
Construction	-	-	-	-
Maintenance	26,950	26,950	16,478	10,472
Winter maintenance	1,000	1,000	2,220	(1,220)
Traffic Control	200	200	-	200
Drain maintenance	825	825	612	213
Roadside park maintenance	475	475	354	121
Nonmotorized projects	-	-	-	-
Administration	1,100	1,100	780	320
Total expenditures	30,550	30,550	20,444	10,106
EXCESS OF REVENUES UNDER EXPENDITURES	8,450	8,450	25,611	17,161
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	(2,200)	(2,200)
Total other financing sources (uses)	-	-	(2,200)	(2,200)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	8,450	8,450	23,411	14,961
FUND BALANCE - Beginning of year	28,878	28,878	28,878	-
FUND BALANCE - End of year	\$ 37,328	\$ 37,328	\$ 52,289	\$ 14,961

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LOCAL STREET FUND
THE YEAR ENDED FEBRUARY 28, 2007

	Budgeted Amounts			Variance With
	Original	Final Amended	Actual	Final Budgeted
REVENUES:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	15,000	15,000	16,134	1,134
Metro Act revenues	-	-	1,390	1,390
Total intergovernmental	15,000	15,000	17,524	2,524
Interest	-	-	80	80
Total revenues	15,000	15,000	17,604	2,604
EXPENDITURES:				
Public Works:				
Construction	-	-	-	-
Maintenance	9,860	9,860	32,763	(22,903)
Winter maintenance	1,160	1,160	2,545	(1,385)
Traffic Control	-	-	-	-
Drain maintenance	365	365	1,167	(802)
Roadside park maintenance	-	-	-	-
Nonmotorized projects	-	-	-	-
Administration	1,050	1,050	780	270
Total expenditures	12,435	12,435	37,255	(24,820)
EXCESS (DEFICICNCY)OF REVENUES				
UNDER EXPENDITURES	2,565	2,565	(19,651)	(22,216)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	2,200	2,200
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	2,200	2,200
EXCESS OF REVENUES AND				
OTHER FINANCING SOURCES				
OVER (UNDER) EXPENDITURES				
AND OTHER FINANCING (USES)	2,565	2,565	(17,451)	(20,016)
FUND BALANCE - Beginning of year	20,335	20,335	24,770	4,435
FUND BALANCE - End of year	\$ 22,900	\$ 22,900	\$ 7,319	\$ (15,581)

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.

ADDITIONAL INFORMATION

VILLAGE OF PARMA, INC.

COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS

FIDUCIARY FUNDS:

TRUST AND AGENCY FUND - This fund accounts for employee withholdings and other miscellaneous receipts held by the Village in an agent's capacity.

STAY-N-PLAY PLAYGROUND FUND - This fund accounts for money raised by a community group for the ongoing maintenance of the Stay-n-Play Adventureland playground constructed in the Village's Groner Park in May 1999.

VILLAGE OF PARMA, INC.
COMBINING BALANCE SHEET
AGENCY FUNDS
FEBRUARY 28, 2007

	Trust and Agency	Stay-n-Play Playground	Total
ASSETS:			
Cash	\$ 15,086	\$ 2,563	\$ 17,649
Investments	-	16,498	16,498
Due from other governments	889	-	889
Due from other funds	-	-	-
Total assets	<u>\$ 15,975</u>	<u>\$ 19,061</u>	<u>\$ 35,036</u>
LIABILITIES:			
Accrued payroll taxes and withholdings	\$ 4,848	\$ -	\$ 4,848
Due to other funds	667	-	667
Due to other governments	-	-	-
Due to other groups	10,460	19,061	29,521
Total liabilities	<u>\$ 15,975</u>	<u>\$ 19,061</u>	<u>\$ 35,036</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
THE YEAR ENDED FEBRUARY 28, 2007

	Balance 02/28/06	Additions	Deletions	Balance 02/28/07
TRUST AND AGENCY FUND:				
ASSETS:				
Cash	\$ 8,480	\$ 107,740	\$ 101,134	\$ 15,086
Investments	-	-	-	-
Due from other governments	-	889	-	889
Due from other funds	3,598	-	3,598	-
Total assets	<u>\$ 12,078</u>	<u>\$ 108,629</u>	<u>\$ 104,732</u>	<u>\$ 15,975</u>
LIABILITIES:				
Accrued payroll taxes and withholdings	\$ 4,966	\$ 93,199	\$ 93,317	\$ 4,848
Due to other funds	-	667	-	667
Due to other governments	7,112	14,763	11,415	10,460
Due to other groups	-	-	-	-
Total liabilities	<u>\$ 12,078</u>	<u>\$ 108,629</u>	<u>\$ 104,732</u>	<u>\$ 15,975</u>
STAY-N-PLAY PLAYGROUND FUND:				
ASSETS:				
Cash	\$ 2,593	\$ 20	\$ 50	\$ 2,563
Investments	16,419	79	-	16,498
Due from other funds	-	-	-	-
Total assets	<u>\$ 19,012</u>	<u>\$ 99</u>	<u>\$ 50</u>	<u>\$ 19,061</u>
LIABILITIES:				
Accrued payroll taxes and withholdings	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Due to other groups	19,012	99	50	19,061
Total liabilities	<u>\$ 19,012</u>	<u>\$ 99</u>	<u>\$ 50</u>	<u>\$ 19,061</u>
Total assets/liabilities	<u>\$ 31,090</u>	<u>\$ 108,728</u>	<u>\$ 104,782</u>	<u>\$ 35,036</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.

INDIVIDUAL FUND STATEMENTS

VILLAGE OF PARMA, INC.
BALANCE SHEET
GENERAL FUND
 FEBRUARY 28, 2007
 (With comparative amounts as of February 28, 2006)

	2007	2006
ASSETS:		
Cash and cash equivalents	\$ 65,632	\$ 35,629
Investments - At cost	-	-
Receivables	2,366	5,471
Due from other funds	20,783	40,496
Due from other governments	88,064	122,086
Prepaid expenses	-	246
	<hr/>	<hr/>
Total assets and other debits	\$ 176,845	\$ 203,928
	<hr/>	<hr/>
LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable	\$ 2,493	\$ 12,305
Due to other funds	164,767	179,733
Accrued payroll	-	4,225
Deferred revenue	2,279	26,128
Total liabilities	<hr/> 169,539	<hr/> 222,391
	<hr/>	<hr/>
FUND EQUITY:		
Fund balance:		
Reserved	-	-
Designated	922	-
Unreserved and undesignated	<hr/> 6,384	<hr/> (18,463)
	<hr/>	<hr/>
Total fund equity	7,306	(18,463)
	<hr/>	<hr/>
Total liabilities and fund equity	\$ 176,845	\$ 203,928
	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2007
(With comparative amounts from the year ended February 28, 2006)

	2007			2006
	Final Amended Budget	Actual	Variance With Budget	Actual
REVENUES:				
TAXES AND PENALTIES:				
Current property taxes	\$ 172,000	\$ 155,529	\$ (16,471)	\$ 152,223
Less: Captured by LDFA	(105,000)	(104,249)	751	(97,903)
Net current property taxes	67,000	51,280	(15,720)	54,320
Industrial Facilities Tax	106,000	105,752	(248)	129,733
Less: Captured by LDFA	(106,000)	(105,752)	248	(129,733)
Net Industrial Facilities Tax	-	-	-	-
Trailer park fees	330	66	(264)	-
Delinquent taxes collected	3,000	178	(2,822)	458
Administrative fee	200	205	5	166
Interest and penalties	-	503	503	182
Total taxes and penalties	70,530	52,232	(18,298)	55,126
LICENSES AND PERMITS:				
Cable TV franchise fees	1,800	1,624	(176)	1,674
Permits	3,000	2,647	(353)	4,327
Total licenses and permits	4,800	4,271	(529)	6,001
INTERGOVERNMENTAL:				
From the State:				
State shared revenues	78,000	75,915	(2,085)	77,707
Liquor inspections	600	640	40	615
Total from the state	78,600	76,555	(2,045)	78,322
From Local Units:				
LDFA Distribution of excess capture	43,608	49,848	6,240	73,608
Library expense sharing	5,120	4,073	(1,047)	4,064
Total from local units	48,728	53,921	5,193	77,672
Total intergovernmental	127,328	130,476	3,148	155,994
CHARGES FOR SERVICES:				
Bookkeeping fees	3,000	3,175	175	600
Information searches	400	731	331	2,520
Sale of leaf bags	700	840	140	750
Total charges for service	4,100	4,746	646	3,870
INTEREST	2,000	2,810	810	1,046
OTHER:				
Miscellaneous	-	-	-	49
Donations	-	-	-	10,000
Reimbursements - Fire	-	817	817	-
Total other revenue	-	817	817	10,049
Total revenues	\$ 208,758	\$ 195,352	\$ (13,406)	\$ 232,086

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2007
(With comparative amounts from the year ended February 28, 2006)

	2007			2006
	Final Amended Budget	Actual	Variance With Budget	Actual
EXPENDITURES:				
Current:				
GENERAL GOVERNMENT:				
Village Council:				
Council Salaries	\$ 23,000	\$ 19,197	\$ 3,803	\$ 22,526
Payroll taxes	1,900	1,491	409	1,110
Pofessional services	12,000	10,207	1,793	11,689
Contract services	1,850	-	1,850	1,735
Membership and dues	1,400	1,224	176	1,382
Miscellaneous	-	228	(228)	-
Total Village Council	40,150	32,347	7,803	38,442
Elections:				
Salaries	-	-	-	450
Payroll taxes	-	-	-	34
Supplies	-	-	-	436
Total elections	-	-	-	920
Clerk:				
Salary	7,340	5,684	1,656	3,739
Payroll taxes	800	435	365	1,019
Office supplies	1,000	80	920	1,702
Total clerk	9,140	6,199	2,941	6,460
Treasurer:				
Salary	7,340	8,316	(976)	3,616
Payroll taxes	800	636	164	1,004
Tax statements	150	112	38	12
Total treasurer	\$ 8,290	\$ 9,064	\$ (774)	\$ 4,632

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2007
(With comparative amounts from the year ended February 28, 2006)

	2007			2006
	Final Amended Budget	Actual	Variance With Budget	Actual
EXPENDITURES: (Continued)				
Current: (Continued)				
Village Hall and Grounds:				
Wages	\$ -	\$ -	\$ -	\$ 296
Payroll taxes	-	-	-	23
Unemployment taxes	-	792	(792)	864
Workers compensation insurance	-	235	(235)	-
Office equipment repair	500	459	41	489
Office supplies	1,600	785	815	116
Operating supplies	1,500	1,313	187	2,153
Contract labor	-	-	-	-
Printing	-	-	-	94
Insurance	15,000	11,268	3,732	13,128
Utilities	5,785	5,488	297	5,111
Repairs and maintenance	350	-	350	315
Training	400	-	400	-
Uniforms	-	-	-	501
Miscellaneous	500	144	356	924
Total village hall and grounds	25,635	20,484	5,151	24,014
 Total general government	 83,215	 68,094	 15,121	 74,468
PUBLIC SAFETY:				
Parma - Sandstone Police Department:				
Contribution to joint venture	56,919	53,676	3,243	62,570
Total Parma - Sandstone Police	56,919	53,676	3,243	62,570
Village Police:				
Wages	5,215	5,178	37	5,016
Payroll taxes	400	396	4	384
Auto	800	656	144	1,537
Gas & Oil	600	588	12	912
Capital outlay	-	-	-	1,569
Total village police	7,015	6,818	197	9,418
Parma - Sandstone Fire Department:				
Contribution to joint venture	-	2,344	(2,344)	30,094
Total Parma - Sandstone Fire	-	2,344	(2,344)	30,094
Inspections:				
Wages	-	640	(640)	1,320
Payroll taxes	-	49	(49)	101
Supplies	-	-	-	32
Inspector fees	2,500	2,910	(410)	2,950
Total inspections	2,500	3,599	(1,099)	4,403
 Total public safety	 \$ 66,434	 \$ 66,437	 \$ (3)	 \$ 106,485

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2007
(With comparative amounts from the year ended February 28, 2006)

	2007			2006
	Final Amended Budget	Actual	Variance With Budget	Actual
EXPENDITURES: (Continued)				
Current: (Continued)				
COMMUNITY PLANNING:				
Planning Commission:				
Wages	\$ 1,500	\$ 550	\$ 950	\$ 1,100
Payroll taxes	75	42	33	48
Contractual labor	-	455	(455)	-
Operating supplies	300	37	263	34
Total Planning Commission	1,875	1,084	791	1,182
PUBLIC WORKS:				
Sanitation and Landfill:				
Wages	3,200	2,279	921	2,818
Payroll taxes	-	175	(175)	216
Spring clean up	-	-	-	-
Equipment usage	-	1,121	(1,121)	-
Total sanitation and landfill	3,200	3,575	(375)	3,034
General Public Works:				
Biodegradable leaf bags	880	199	681	960
Community improvements	-	175	(175)	730
Street lighting	11,000	12,888	(1,888)	11,014
Sidewalk construction	-	388	(388)	-
Tree removal and replacement	5,000	878	4,122	3,583
Equipment usage	500	-	500	-
Total general public works	17,380	14,528	2,852	16,287
Total public works	20,580	18,103	2,477	19,321
CULTURAL AND RECREATIONAL :				
Parks and Recreation:				
Labor	500	301	199	466
Payroll taxes	150	23	127	36
Contract services	1,400	2,565	(1,165)	1,071
Pavillion	2,000	1,675	325	1,976
Utilities	1,800	1,197	603	1,020
Equipment usage	200	269	(69)	101
Parma - Sandstone Recreation	-	-	-	-
Total parks and recreation	6,050	6,030	20	4,670
Library:				
Utilities and maintenance	6,000	4,734	1,266	4,104
Total cultural and recreational	\$ 12,050	\$ 10,764	\$ 1,286	\$ 8,774

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
THE YEAR ENDED FEBRUARY 28, 2007
(With comparative amounts from the year ended February 28, 2006)

	2007			2006
	Final Amended Budget	Actual	Variance With Budget	Actual
EXPENDITURES: (Continued)				
OTHER FUNCTIONS:				
Tax refunds	\$ 17,000	\$ 254	\$ 16,746	\$ 417
Total other functions	17,000	254	16,746	417
Total current expenditures	201,154	164,736	36,418	210,647
CAPITAL OUTLAY:				
General	-	-	-	-
Parks	-	-	-	-
Total capital outlay	-	-	-	-
DEBT SERVICE:				
Principal	3,500	3,456	44	3,304
Interest	1,500	1,496	4	1,648
Total debt service	5,000	4,952	48	4,952
Total expenditures	206,154	169,688	36,466	215,599
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,604	25,664	(23,060)	16,487
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	2,604	25,664	(23,060)	16,487
FUND BALANCE - Beginning (Restated)	(18,358)	(18,358)	-	(34,950)
FUND BALANCE - End	\$ (15,754)	\$ 7,306	\$ (23,060)	\$ (18,463)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
MAJOR STREET FUND
 FEBRUARY 28, 2007
 (With comparative amounts as of February 28, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and cash equivalents	\$ 46,396	\$ 29,913
Due from other funds	363	374
Due from other governments	<u>8,012</u>	<u>8,095</u>
Total assets	<u>\$ 54,771</u>	<u>\$ 38,382</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable	\$ 282	\$ -
Due to other funds	<u>2,200</u>	<u>9,504</u>
Total liabilities	<u>2,482</u>	<u>9,504</u>
FUND EQUITY:		
Unreserved	<u>52,289</u>	<u>28,878</u>
Total liabilities and fund equity	<u>\$ 54,771</u>	<u>\$ 38,382</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR STREET FUND
THE YEAR ENDED FEBRUARY 28, 2007
(With comparative amounts from the year ended February 28, 2006)

	<u>BUDGET</u>	<u>2007 ACTUAL</u>	<u>VARIANCE</u>	<u>2006 ACTUAL</u>
REVENUES:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	39,000	44,365	5,365	44,858
Metro Act revenue	-	1,390	1,390	3,017
Total intergovernmental	39,000	45,755	6,755	47,875
Interest	-	300	300	198
Total revenues	39,000	46,055	7,055	48,073
EXPENDITURES:				
Public Works:				
Construction	-	-	-	-
Maintenance	26,950	16,478	10,472	21,921
Winter maintenance	1,000	2,220	(1,220)	2,526
Traffic Control	200	-	200	267
Drain maintenance	825	612	213	735
Roadside park maintenance	475	354	121	400
Nonmotorized projects	-	-	-	-
Administration	1,100	780	320	945
Total expenditures	30,550	20,444	10,106	26,794
EXCESS OF REVENUES UNDER EXPENDITURES	8,450	25,611	17,161	21,279
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	(2,200)	(2,200)	-
Total other financing sources (uses)	-	(2,200)	(2,200)	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	8,450	23,411	14,961	21,279
FUND BALANCE - Beginning of year	28,878	28,878	-	7,599
FUND BALANCE - End of year	\$ 37,328	\$ 52,289	\$ 14,961	\$ 28,878

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
LOCAL STREET FUND
 FEBRUARY 28, 2007
 (With comparative amounts as of February 28, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and cash equivalents	\$ 2,214	\$ 11,692
Due from other funds	2,490	10,133
Due from other governments	<u>2,913</u>	<u>2,945</u>
Total assets	<u>\$ 7,617</u>	<u>\$ 24,770</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts payable	\$ 282	\$ -
Due to other funds	<u>16</u>	<u>-</u>
Total liabilities	<u>298</u>	<u>-</u>
FUND EQUITY:		
Unreserved	<u>7,319</u>	<u>24,770</u>
Total liabilities and fund equity	<u>\$ 7,617</u>	<u>\$ 24,770</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL STREET FUND
THE YEAR ENDED FEBRUARY 28, 2007
(With comparative amounts from the year ended February 28, 2006)

	BUDGET	2007 ACTUAL	VARIANCE	2006 ACTUAL
REVENUES:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	15,000	16,134	1,134	8,085
METRO Act revenue	-	1,390	1,390	16,320
Total intergovernmental	15,000	17,524	2,524	24,405
Interest	-	80	80	55
Total revenues	15,000	17,604	2,604	24,460
EXPENDITURES:				
Public Works:				
Construction	-	-	-	-
Maintenance	9,860	32,763	(22,903)	8,085
Winter maintenance	1,160	2,545	(1,385)	2,289
Traffic Control	-	-	-	-
Drain maintenance	365	1,167	(802)	621
Roadside park maintenance	-	-	-	-
Nonmotorized projects	-	-	-	-
Administration	1,050	780	270	945
Total expenditures	12,435	37,255	(24,820)	11,940
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,565	(19,651)	(22,216)	12,520
OTHER FINANCING SOURCES (USES);				
Operating transfers in	-	2,200	2,200	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	2,200	2,200	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	2,565	(17,451)	(20,016)	12,520
FUND BALANCE - Beginning of year	20,335	24,770	4,435	20,335
FUND BALANCE - End of year	\$ 22,900	\$ 7,319	\$ (15,581)	\$ 32,855

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
WASTE WATER FUND
FEBRUARY 28, 2007
(With comparative amounts as of February 28, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 37,338	\$ 57,902
Investments, at cost	473,295	461,488
Receivables:		
Accounts	23,731	7,523
Assessments/Connection Fees - Current portion	-	-
Accrued Interest	10,613	-
Total receivables	34,344	7,523
Due from other funds	66,563	80,143
Advanced expenses	97,712	48,878
Total current assets	709,252	655,934
PROPERTY, PLANT AND EQUIPMENT:		
Capital assets - Net	219,333	234,215
OTHER ASSETS:		
Assessments/Connection Fees - Long-term portion	-	-
Total assets	\$ 928,585	\$ 890,149
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 23,451	\$ 16,594
Due to other funds	-	30
Deferred revenue	17,622	1,816
Capital lease payable - Current	-	-
Total current liabilities	41,073	18,440
LONG-TERM LIABILITIES:		
Capital lease payable - Long-term portion	-	-
Total liabilities	41,073	18,440
FUND EQUITY -		
Retained earnings - Designated for debt service	-	-
Retained earnings - Undesignated	887,512	871,709
Total fund equity	887,512	871,709
Total liabilities and fund equity	\$ 928,585	\$ 890,149

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
WASTE WATER FUND
 THE YEAR ENDED FEBRUARY 28, 2007
 (With comparative amounts from the year ended February 28, 2006)

	2007	2006
OPERATING REVENUES:		
Charges for services	\$ 71,384	\$ 69,559
Interest and penalties	1,288	902
Total operating revenues	72,672	70,461
OPERATING EXPENSES:		
Administration:		
Clerical salaries	6,357	7,156
Payroll taxes	487	333
Office supplies	192	329
Other	134	-
Professional services	2,500	2,648
Total administration	9,670	10,466
Operations and maintenance:		
Salaries	455	1,499
Payroll taxes	35	115
Contract services	30,474	30,145
Professional services	-	-
Utilities	5,664	4,856
Repairs and maintenance	8,317	15,261
Operating supplies	-	-
Equipment usage	680	3,417
Miscellaneous	-	-
Total operations and maintenance	45,625	55,293
Depreciation	25,230	24,972
Total operating expenses	80,525	90,731
OPERATING INCOME (LOSS)	(7,853)	(20,270)
NON-OPERATING REVENUES/EXPENSES -		
Taxes - Hydrant	-	-
Connection fees	-	-
Interest income	23,656	16,332
Connection expenses	-	-
Interest expense	-	-
Total non-operating revenues/expenses	23,656	16,332
NET INCOME (LOSS)	15,803	(3,938)
RETAINED EARNINGS - Beginning	871,709	875,647
RETAINED EARNINGS - Ending	\$ 887,512	\$ 871,709

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
WATER FUND
 FEBRUARY 28, 2007
 (With comparative amounts as of February 28, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 57,750	\$ 10,225
Investments, at cost	-	20,278
Receivables:		
Accounts	13,010	7,060
Assessments/Connection Fees - Current portion	37,169	40,455
Accrued Interest	-	-
Total receivables	50,179	47,515
Due from other funds	97,749	99,139
Advanced expenses	-	-
Total current assets	205,678	177,157
PROPERTY, PLANT AND EQUIPMENT:		
Capital assets - Net	4,026,458	4,158,943
OTHER ASSETS:		
Assessments/Connection Fees - Long-term portion	412,497	449,306
Total assets	<u>\$ 4,644,633</u>	<u>\$ 4,785,406</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 18,643	\$ 12,906
Due to other funds	-	20,202
Deferred revenue	30,497	809
Capital lease payable - Current	100,000	100,000
Total current liabilities	149,140	133,917
LONG-TERM LIABILITIES:		
Capital lease payable - Long-term portion	2,430,000	2,530,000
Total liabilities	2,579,140	2,663,917
FUND EQUITY -		
Retained earnings - Designated for debt service	590,175	587,645
Retained earnings - Undesignated	1,475,318	1,533,844
Total fund equity	2,065,493	2,121,489
Total liabilities and fund equity	<u>\$ 4,644,633</u>	<u>\$ 4,785,406</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
WATER FUND
 THE YEAR ENDED FEBRUARY 28, 2007
 (With comparative amounts from the year ended February 28, 2006)

	2007	2006
OPERATING REVENUES:		
Charges for services	\$ 52,387	\$ 44,900
Interest and penalties	716	229
Total operating revenues	53,103	45,129
OPERATING EXPENSES:		
Administration:		
Clerical salaries	-	6,900
Payroll taxes	-	360
Office supplies	331	688
Other	133	308
Professional services	2,550	4,073
Total administration	3,014	12,329
Operations and maintenance:		
Salaries	1,929	880
Payroll taxes	148	68
Contract services	32,510	33,668
Professional services	1,313	751
Utilities	17,811	15,923
Repairs and maintenance	5,699	4,694
Operating supplies	10,997	11,458
Equipment usage	1,109	547
Miscellaneous	419	-
Total operations and maintenance	71,935	67,989
Depreciation	112,540	114,786
Total operating expenses	187,489	195,104
OPERATING INCOME (LOSS)	(134,386)	(149,975)
NON-OPERATING REVENUES/EXPENSES -		
Taxes - Hydrant	22,467	22,046
Connection fees	55,338	52,788
Interest income	88,935	79,416
Connection expenses	(650)	(1,450)
Interest expense	(87,700)	(91,575)
Total non-operating revenues/expenses	78,390	61,225
NET INCOME	(55,996)	(88,750)
RETAINED EARNINGS - Beginning	2,121,489	2,210,239
RETAINED EARNINGS - Ending	\$ 2,065,493	\$ 2,121,489

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
GARBAGE FUND
 FEBRUARY 28, 2007
 (With comparative amounts as of February 28, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,132	\$ 16,971
Investments, at cost	-	-
Receivables:		
Accounts	21,675	8,104
Assessments/Connection Fees - Current portion	-	-
Accrued Interest	-	-
Total receivables	<u>21,675</u>	<u>8,104</u>
Due from other funds	-	-
Advanced expenses	-	-
Total current assets	<u>35,807</u>	<u>25,075</u>
PROPERTY, PLANT AND EQUIPMENT:		
Capital assets - Net	-	-
OTHER ASSETS:		
Assessments/Connection Fees - Long-term portion	-	-
Total assets	<u>\$ 35,807</u>	<u>\$ 25,075</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,407	\$ 3,297
Due to other funds	-	-
Deferred revenue	13,081	1,542
Capital lease payable - Current	-	-
Total current liabilities	<u>16,488</u>	<u>4,839</u>
LONG-TERM LIABILITIES:		
Capital lease payable - Long-term portion	-	-
Total liabilities	<u>16,488</u>	<u>4,839</u>
FUND EQUITY -		
Retained earnings - Designated for debt service	-	-
Retained earnings - Undesignated	19,319	20,236
Total fund equity	<u>19,319</u>	<u>20,236</u>
Total liabilities and fund equity	<u>\$ 35,807</u>	<u>\$ 25,075</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
GARBAGE FUND
 THE YEAR ENDED FEBRUARY 28, 2007
 (With comparative amounts from the year ended February 28, 2006)

	2007	2006
OPERATING REVENUES:		
Charges for services	\$ 52,817	\$ 52,037
Interest and penalties	1,329	1,025
Total operating revenues	54,146	53,062
OPERATING EXPENSES:		
Administration:		
Clerical salaries	6,586	7,999
Payroll taxes	505	168
Office supplies	355	700
Other	-	-
Professional services	1,000	1,421
Total administration	8,446	10,288
Operations and maintenance:		
Salaries	-	-
Payroll taxes	-	-
Contract services	46,732	44,576
Professional services	-	-
Utilities	-	-
Repairs and maintenance	-	-
Operating supplies	-	-
Equipment usage	-	-
Miscellaneous	-	-
Total operations and maintenance	46,732	44,576
Depreciation	-	-
Total operating expenses	55,178	54,864
OPERATING INCOME (LOSS)	(1,032)	(1,802)
NON-OPERATING REVENUES -		
Taxes - Hydrant	-	-
Connection fees	-	-
Interest income	115	-
Connection expenses	-	-
Interest expense	-	-
Total non-operating revenues/expenses	115	-
NET INCOME (LOSS)	(917)	(1,802)
RETAINED EARNINGS - Beginning	20,236	22,038
RETAINED EARNINGS - Ending	\$ 19,319	\$ 20,236

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
BALANCE SHEET
MOTOR POOL FUND
 FEBRUARY 28, 2007
 (With comparative amounts as of February 28, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and cash equivalents	\$ 2,976	\$ 2,628
Investments, at cost	-	-
Receivables:		
Accounts	-	-
Accrued interest	-	-
Total receivables	-	-
Due from other funds	16	-
Advanced expenses	-	-
Capital assets (Net)	10,872	15,411
	<u> </u>	<u> </u>
Total assets	<u>\$ 13,864</u>	<u>\$ 18,039</u>
	<u> </u>	<u> </u>
LIABILITIES:		
Accounts payable	\$ 413	\$ 190
Due to other funds	20,981	20,816
Total liabilities	<u>21,394</u>	<u>21,006</u>
	<u> </u>	<u> </u>
FUND EQUITY -		
Retained earnings	<u>(7,530)</u>	<u>(2,967)</u>
	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$ 13,864</u>	<u>\$ 18,039</u>
	<u> </u>	<u> </u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
MOTOR POOL FUND
THE YEAR ENDED FEBRUARY 28, 2007
(With comparative amounts from the year ended February 28, 2006)

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES - Rentals	\$ 17,136	\$ 20,141
OPERATING EXPENSES:		
Administration:		
Clerical salaries	-	-
Payroll taxes	-	-
Office supplies	-	-
Other	-	-
Professional services	-	1,411
Total administration	<u>-</u>	<u>1,411</u>
Operations and Maintenance:		
Salaries	6,307	7,874
Payroll taxes	482	602
Contract services	-	-
Professional Services	1,336	-
Utilities	2,720	2,560
Repairs and maintenance	2,763	3,080
Operating supplies	3,183	2,650
Rent	300	300
Miscellaneous	83	-
Total operations and maintenance	<u>17,174</u>	<u>17,066</u>
Depreciation	<u>4,539</u>	13,573
Total operating expenses	<u>21,713</u>	<u>32,050</u>
OPERATING INCOME (LOSS)	<u>(4,577)</u>	(11,909)
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	14	37
Sale of fixed assets	-	-
Total non-operating revenues (expenses)	<u>14</u>	<u>37</u>
NET INCOME (LOSS)	(4,563)	(11,872)
RETAINED EARNINGS - Beginning	<u>(2,967)</u>	8,905
RETAINED EARNINGS - Ending	<u>\$ (7,530)</u>	<u>\$ (2,967)</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.

SCHEDULES OF INDEBTEDNESS

VILLAGE OF PARMA
 CONTRACT PAYABLE - PARMA TOWNSHIP (KANSAS STATE BANK)
 2003 FIRE TRUCK

DATE	RATE	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
		PRINCIPAL	INTEREST	TOTAL	
07/01/04	4.53%	3,159.18	1,793.61	4,952.79	02/28/05
07/01/05	4.53%	3,304.48	1,648.32	4,952.80	02/28/06
07/01/06	4.53%	3,456.45	1,496.34	4,952.79	02/28/07
07/01/07	4.53%	3,615.41	1,337.39	4,952.80	02/29/08
07/01/08	4.53%	3,781.68	1,171.11	4,952.79	02/28/09
07/01/09	4.53%	3,955.60	997.20	4,952.80	02/28/10
07/01/10	4.53%	4,137.52	815.27	4,952.79	02/28/11
07/01/11	4.53%	4,327.81	624.99	4,952.80	02/29/12
07/01/12	4.53%	4,526.84	425.95	4,952.79	02/28/13
07/01/13	4.53%	4,735.03	217.77	4,952.80	02/28/14
		39,000.00	10,527.95	49,527.95	
Ramaining at 2/28/07:		29,079.89	5,589.68	34,669.57	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA
CAPITAL LEASE PAYABLE - COUNTY OF JACKSON (DRINKING WATER REVOLVING LOAN FUND)
\$1,110,000 SERIES 2002 B

DATE	RATE	PRINCIPAL AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
				PRINCIPAL	INTEREST	TOTAL	
09/01/02		-	-	-	3,759.89	3,759.89	02/28/03
03/01/03	2.50%	45,000.00	1,125.00	45,000.00	11,621.42	56,621.42	02/28/03
09/01/03		-	-	-	12,905.01	12,905.01	
03/01/04	2.50%	45,000.00	1,125.00	45,000.00	13,211.19	58,211.19	02/29/04
09/01/04		-	-	-	12,750.00	12,750.00	
03/01/05	2.50%	45,000.00	1,125.00	45,000.00	12,757.55	57,757.55	02/28/05
09/01/05		-	-	-	12,187.50	12,187.50	
03/01/06	2.50%	45,000.00	1,125.00	45,000.00	12,187.50	57,187.50	02/28/06
09/01/06		-	-	-	11,625.00	11,625.00	
03/01/07	2.50%	50,000.00	1,250.00	50,000.00	11,625.00	61,625.00	02/28/07
09/01/07		-	-	-	11,000.00	11,000.00	
03/01/08	2.50%	50,000.00	1,250.00	50,000.00	11,000.00	61,000.00	02/29/08
09/01/08		-	-	-	10,375.00	10,375.00	
03/01/09	2.50%	50,000.00	1,250.00	50,000.00	10,375.00	60,375.00	02/28/09
09/01/09		-	-	-	9,750.00	9,750.00	
03/01/10	2.50%	50,000.00	1,250.00	50,000.00	9,750.00	59,750.00	02/28/10
09/01/10		-	-	-	9,125.00	9,125.00	
03/01/11	2.50%	55,000.00	1,375.00	55,000.00	9,125.00	64,125.00	02/28/11
09/01/11		-	-	-	8,437.50	8,437.50	
03/01/12	2.50%	55,000.00	1,375.00	55,000.00	8,437.50	63,437.50	02/29/12
09/01/12		-	-	-	7,750.00	7,750.00	
03/01/13	2.50%	55,000.00	1,375.00	55,000.00	7,750.00	62,750.00	02/28/13
09/01/13		-	-	-	7,062.50	7,062.50	
03/01/14	2.50%	55,000.00	1,375.00	55,000.00	7,062.50	62,062.50	02/28/14
09/01/14		-	-	-	6,375.00	6,375.00	
03/01/15	2.50%	60,000.00	1,500.00	60,000.00	6,375.00	66,375.00	02/28/15
09/01/15		-	-	-	5,625.00	5,625.00	
03/01/16	2.50%	60,000.00	1,500.00	60,000.00	5,625.00	65,625.00	02/29/16
09/01/16		-	-	-	4,875.00	4,875.00	
03/01/17	2.50%	60,000.00	1,500.00	60,000.00	4,875.00	64,875.00	02/28/17
09/01/17		-	-	-	4,125.00	4,125.00	
03/01/18	2.50%	60,000.00	1,500.00	60,000.00	4,125.00	64,125.00	02/28/18
09/01/18		-	-	-	3,375.00	3,375.00	
03/01/19	2.50%	65,000.00	1,625.00	65,000.00	3,375.00	68,375.00	02/28/19
09/01/19		-	-	-	2,562.50	2,562.50	
03/01/20	2.50%	65,000.00	1,625.00	65,000.00	2,562.50	67,562.50	02/29/20
09/01/20		-	-	-	1,750.00	1,750.00	
03/01/21	2.50%	70,000.00	1,750.00	70,000.00	1,750.00	71,750.00	02/28/21
09/01/21		-	-	-	875.00	875.00	
03/01/22	2.50%	70,000.00	1,750.00	70,000.00	875.00	70,875.00	02/28/22
		1,110,000.00	27,750.00	1,110,000.00	300,755.06	1,410,755.06	
		Remaining at 2/28/07:		880,000.00	186,125.00	1,066,125.00	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA
CAPITAL LEASE PAYABLE - COUNTY OF JACKSON (LDFA PROJECT)
\$1,800,000 2002 Series A

DATE	RATE	PRINCIPAL AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
				PRINCIPAL	INTEREST	TOTAL	
03/01/03		-	-	-	35,662.50	35,662.50	
09/01/03	5.50%	25,000.00	1,375.00	25,000.00	35,662.50	60,662.50	
03/01/04		-	-	-	34,975.00	34,975.00	02/29/04
09/01/04	5.50%	25,000.00	1,375.00	25,000.00	34,975.00	59,975.00	
03/01/05		-	-	-	34,287.50	34,287.50	02/28/05
09/01/05	5.50%	50,000.00	2,750.00	50,000.00	34,287.50	84,287.50	
03/01/06		-	-	-	32,912.50	32,912.50	02/28/06
09/01/06	5.50%	50,000.00	2,750.00	50,000.00	32,912.50	82,912.50	
03/01/07		-	-	-	31,537.50	31,537.50	02/28/07
09/01/07	3.00%	50,000.00	1,500.00	50,000.00	31,537.50	81,537.50	
03/01/08		-	-	-	30,787.50	30,787.50	02/29/08
09/01/08	2.75%	75,000.00	2,062.50	75,000.00	30,787.50	105,787.50	
03/01/09		-	-	-	29,756.25	29,756.25	02/28/09
09/01/09	3.00%	75,000.00	2,250.00	75,000.00	29,756.25	104,756.25	
03/01/10		-	-	-	28,631.25	28,631.25	02/28/10
09/01/10	3.20%	75,000.00	2,400.00	75,000.00	28,631.25	103,631.25	
03/01/11		-	-	-	27,431.25	27,431.25	02/28/11
09/01/11	3.30%	100,000.00	3,300.00	100,000.00	27,431.25	127,431.25	
03/01/12		-	-	-	25,781.25	25,781.25	02/29/12
09/01/12	3.40%	100,000.00	3,400.00	100,000.00	25,781.25	125,781.25	
03/01/13		-	-	-	24,081.25	24,081.25	02/28/13
09/01/13	3.55%	100,000.00	3,550.00	100,000.00	24,081.25	124,081.25	
03/01/14		-	-	-	22,306.25	22,306.25	02/28/14
09/01/14	3.70%	125,000.00	4,625.00	125,000.00	22,306.25	147,306.25	
03/01/15		-	-	-	19,993.75	19,993.75	02/28/15
09/01/15	3.85%	125,000.00	4,812.50	125,000.00	19,993.75	144,993.75	
03/01/16		-	-	-	17,587.50	17,587.50	02/29/16
09/01/16	4.00%	125,000.00	5,000.00	125,000.00	17,587.50	142,587.50	
03/01/17		-	-	-	15,087.50	15,087.50	02/28/17
09/01/17	4.10%	125,000.00	5,125.00	125,000.00	15,087.50	140,087.50	
03/01/18		-	-	-	12,525.00	12,525.00	02/28/18
09/01/18	4.20%	125,000.00	5,250.00	125,000.00	12,525.00	137,525.00	
03/01/19		-	-	-	9,900.00	9,900.00	02/28/19
09/01/19	4.30%	150,000.00	6,450.00	150,000.00	9,900.00	159,900.00	
03/01/20		-	-	-	6,675.00	6,675.00	02/29/20
09/01/20	4.40%	150,000.00	6,600.00	150,000.00	6,675.00	156,675.00	
03/01/21		-	-	-	3,375.00	3,375.00	02/28/21
09/01/21	4.50%	150,000.00	6,750.00	150,000.00	3,375.00	153,375.00	02/28/22
		1,800,000.00	71,325.00	1,800,000.00	886,587.50	2,686,587.50	
		Remaining at 2/28/07:		1,650,000.00	579,375.00	2,229,375.00	

The notes to the financial statements are an integral part of this statement.

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CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

Village Council
Village of Parma, Inc
Jackson County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the **Village of Parma, Inc** as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Parma, Inc's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

2007-01 - Reliance on External Auditors for Certain Control Functions:

New Statements on Auditing Standards (SAS) issued by the American Institute of Certified Public Accountants have clarified management's responsibilities for establishing a system of internal control. It is now considered a significant deficiency in internal control when a governmental entity relies upon its external auditors as part of its internal control system. In the Village's case, it relies on the external auditors to prepare year end financial statements required by the State of Michigan.

This is considered a significant deficiency because the Village does not have staff or an independent advisor qualified to ensure the external auditor's work complies with all required standards. To address this, the Village could either improve the clerk or treasurer's knowledge base through continuing education, or hire a CPA independent of its audit firm to review the annual report. The Village believes that from a cost-benefit basis, neither of these solutions makes sense. We concur with this decision.

2007 -02 - Segregation of Duties:

The Village relies on its Treasurer and Clerk for its accounting functions. Because of this limited staff size, there are instances in which conflicting duties are performed by one individual. The Village Council needs to be aware of this situation, and maintain oversight of its financial records.

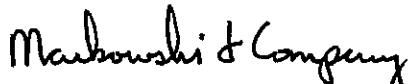
2007-03 - Adjustments Proposed by the Auditor:

During our audit, we proposed several adjustments to the accounting records. The Village reviewed these and posted the adjustments to its general ledger. Because these entries were material in amount, this is considered a significant deficiency in internal control. We would suggest the Village record accrual entries (recognizing revenues and expenditures in the proper period) and reconcile its payroll liability accounts in the future to correct this situation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses: 2007-01 and 2007-03.

We also noted other matters which should be considered by the Council. These are reported in our separate Memorandum on Comments and Recommendations dated August 28, 2007.

This communication is intended solely for the information and use of management, the Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



MARKOWSKI & COMPANY CPAs
August 28, 2007

MARKOWSKI & COMPANY

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ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

VILLAGE OF PARMA, INC.

MEMORANDUM OF COMMENTS AND RECOMMENDATIONS FOR THE YEAR ENDED FEBRUARY 28, 2007

We are very happy to report that the Village's accounting continues to show significant improvement. We found the records to be up to date, well organized, and very easy to work with. While we still have some recommendations for improvements, there is no question that the Village has made outstanding progress in its accounting processes. Please find the following items for your consideration:

1. FUND DEFICITS

The General Fund ended the year with a positive fund balance – a remarkable turnaround from the \$63,470 deficit as of February 29, 2004. This has not come without significant sacrifices on the Village's part. Services have been cut to the bare minimum, and the Village no longer participates in the funding of the local fire department. The worst is not over for the Village, as state revenue sharing continues to stagnate and the poor economic conditions contribute to a flat tax base.

The financial news is not all positive, however. As of February 28, 2007, the Motor Pool Fund has an accumulated deficit of \$7,530 - a bigger deficit than the \$2,967 balance at the end of fiscal 2006.

The Village's General and Motor Pool Funds have been relying on loans from the Waste Water and Water Funds to finance this deficit spending. As of February 28, 2007, the General Fund owes \$164,312 (down from \$179,245) to those two funds. The Motor Pool Fund has relied on loans from the General Fund, and owes \$20,783 as of February 28, 2007. **Because of the Motor Pool Fund deficit, the Village Council will need to approve a plan to eliminate the deficit and file a copy of this with the State Department of Treasury.**

The Motor Pool Fund deficit must be attacked as aggressively as the General Fund's was three years ago.. Efforts to reduce the amount of time charged to equipment maintenance by the Village's DPW employee must continue. The bigger problem is that rental income generated from the use of equipment has decreased from \$22,825 in 2005 to only \$17,136 in 2007.

The only way for this fund to cover its costs is to use equipment in the course of village operations – street and parks maintenance, etc. If the equipment isn't being used, the Village should consider selling it to raise sufficient revenue to eliminate the deficit. Much of this equipment is aging, and the Village faces tough choices regarding replacement in the near future.

2. INTERFUND BORROWINGS

As mentioned above, there has been a significant amount of interfund borrowing during the past few years. **One area of serious concern is the fact that the General Fund has borrowed over \$97,000 of water assessment/hydrant tax collections.** This money will be needed to pay off the water system loans in the future, and at the current rate, the General Fund will not be able to pay it back in a timely manner. **The Village must make it a priority to repay the Water Assessment money to the Water Fund.**

Because the amounts assessed are so close to that needed to pay off the debt, there is no room for delay in these repayments. Additionally, approximately **\$85,000 of assessment collections have been used to pay operating expenses of the water supply system.** The Council needs to take a very hard look at the current rates charged for water. Additional rate increases and/or cost reductions may be necessary in the near future.

It is imperative that the Council begin to formulate a long range plan to pay all interfund borrowings back in a timely manner. The Treasurer and Clerk have worked hard to repay several of the smaller loans, and their efforts should be supported by the entire council.

3. EXPENDITURES IN EXCESS OF BUDGET

Michigan law prohibits spending amounts in excess of appropriations (budgeted amounts). As noted in our audit report (page 19), there were instances of spending amounts greater than budgeted.

The Village actually showed great improvement in both its budget process and the internal accounting used to analyze current expenditures against budgeted amounts. As a result, there were very few areas in which expenditures exceeded budgeted amounts. Also, budgets were adopted for all funds which required them in 2007.

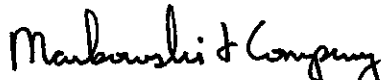
We recommend that the Council carefully review its actual revenue and expenditures to budgeted amounts at least once per quarter. Amendments to the budget should be made after reviewing all financial information.

CONCLUSION

We would like to thank the clerk, Katie Cotey, and treasurer, Mary France, for their cooperation and patience during the audit process. These ladies have made a great deal of progress in correcting lingering problems with the Village's records, and should be commended for their efforts.

If anyone has questions regarding the items discussed in our memorandum, or if we can be of assistance with the implementation of any suggested changes, please feel free to contact us.

Sincerely,



MARKOWSKI & COMPANY CPAs
August 28, 2007

MARKOWSKI & COMPANY

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COMMUNICATION OF AUDITOR/VILLAGE RESPONSIBILITY

Village Council
Village of Parma, Inc.
Jackson County, Michigan

We have audited the financial statements of Village of Parma, Inc. as of and for the year ended February 28, 2007, and have issued our report thereon dated August 28, 2007. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud, may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Parma, Inc. are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Parma, Inc. during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the depreciable lives of the capital assets.

We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Parma, Inc. that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We noted audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Village of Parma, Inc.'s reporting process. Please see the attached memorandum of comments and recommendations.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village of Parma, Inc.'s financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

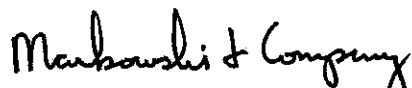
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Village of Parma, Inc.'s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

The staff at the Village was extremely helpful and cooperative during our audit. We did not encounter any difficulties in completing our audit.

This information is intended solely for the use of the Village Council and management of Village of Parma, Inc. and should not be used for any other purpose.

Very truly yours,



MARKOWSKI & COMPANY CPAs
August 28, 2007